



*State of California*  
***Employment Training Panel***

*Arnold Schwarzenegger, Governor*

June 10, 2008

Norma Meza  
ETP Coordinator  
NTMA Training Centers of Southern California  
13230 E. Firestone Boulevard, Unit A  
Santa Fe Springs, CA 90670

Dear Ms. Meza:

Enclosed is our final report relative to our review of NTMA Training Centers of Southern California's compliance with the Employment Training Panel Agreement No. ET03-0275 for the period March 1, 2003, through February 28, 2005.

Also enclosed is a demand letter for payment of costs disallowed in the review report. Payment is due upon receipt of this letter. If you wish to appeal the review findings, you must follow the procedure specified in Attachment A to the review report.

We appreciate the courtesy and cooperation extended to our auditor during the review. If you have any questions, please contact me at (916) 327-5439.

Sincerely,

Original signed by:

Charles Rufo  
Audit Director

Enclosures

cc: Michael Kerwin, President

# **NTMA TRAINING CENTERS OF SOUTHERN CALIFORNIA**

Agreement No. ET03-0275

Final Review Report

For The Period

March 1, 2003 through February 28, 2005

Report Published June 10, 2008

Charles Rufo, Audit Director  
Telephone: (916) 327-5439

Audit Staff: James Lee

Employment Training Panel  
Audit Unit  
1100 J Street FL 4  
Sacramento, CA 95814-2827

ET03-0275.fnl

---

# TABLE OF CONTENTS

---

	<u>Page Number</u>
REVIEW REPORT	
Summary	1
Background	2
Objectives, Scope, and Methodology	2
Conclusion	3
Views of Responsible Officials	3
Appeal Rights	3
Records	3
SCHEDULE 1 - Summary of Review Results	4
FINDINGS AND RECOMMENDATIONS	5
 <u>ATTACHMENTS</u>	
ATTACHMENT A – Appeal Process	
ATTACHMENT B – Table of Disallowed Trainees	

---

# REVIEW REPORT

---

## Summary

We reviewed NTMA Training Centers of Southern California's (NTMA) compliance with Agreement No. ET03-0275, for the period March 1, 2003, through February 28, 2005. Our review pertained to training costs claimed by NTMA under this Agreement. Our review was performed during the period February 6, 2007, through April 10, 2007.

The Employment Training Panel (ETP) reimbursed NTMA a total of \$4,464,505. Our review supported \$4,395,005 is allowable. The balance of \$69,500 is disallowed and must be returned to ETP. The disallowed costs resulted from 11 trainees who did not meet the minimum wage rate requirement, 6 trainees who were not employed full-time during the post-training retention period, 2 trainees who were not employed in an eligible occupation, and 2 trainees who did not meet retrainee eligibility requirements. In addition, we noted an administrative finding for inaccurate reporting of trainee wage rates.

---

## REVIEW REPORT (continued)

---

### Background

This Agreement is the twenty-fifth training project between ETP and National Tooling & Machining Association (NTMA) Training Centers of Southern California. In past projects, the Contractor was successful in providing training for current employees and new-hire trainees for small to medium-sized businesses in the metal trades industry.

NTMA was founded in 1968, and is the training arm of the Southern California machining industry. Under this Agreement, new hire trainees received instruction in basic machining modules, including set-up, and operation of machining equipment, such as mills, lathers, and grinders. These trainees were hired by member firms and other participating small-to-medium sized manufacturing companies. In addition to the standard new-hire component, this project had currently employed workers who were retrained in computerized numerical control (CNC) technology.

This Agreement allowed NTMA to receive a maximum reimbursement of \$5,246,270 for retraining 731 employees and training and placing 355 new-hire trainees. During the Agreement term, the Contractor placed 725 retrainees and 277 new-hire trainees, and was reimbursed \$4,464,505 by ETP.

### Objectives, Scope, and Methodology

We performed our review by authority of Title 22 California Code of Regulations, Sections 4443 and 4448. Our scope was limited to reviewing the Contractor's compliance with trainee eligibility and post-training requirements specified in the Agreement. We did not review the Contractor's records for compliance with training attendance or other Agreement requirements.

Specifically, our review scope included, but was not limited to, conducting compliance tests to determine whether:

- Trainees were eligible to receive ETP training.
- Trainees were employed continuously full-time with a participating employer for 90 consecutive days after completing training, and the 90-day retention period was completed within the Agreement term.
- Trainees were employed in the occupation for which they were trained and earned the minimum wage required at the end of the 90-day retention period.

---

## REVIEW REPORT (continued)

---

Conclusion	As summarized in Schedule 1, the Summary of Review Results, and discussed more fully in the Findings and Recommendations Section of our report, our review supported \$4,395,005 of the \$4,464,505 paid to the Contractor under this Agreement is allowable. The balance of \$69,500 is disallowed and must be returned to ETP.
Views of Responsible Officials	<p>The review findings were discussed with Norma Meza, the Contractor's ETP Coordinator, during an informal telephone exit conference on May 2, 2007. During the conference, Ms. Meza requested to submit additional documentation for the trainees to be disallowed. Based on the additional documentation submitted by the Contractor on June 5, 2007, and further management review, we concluded to allow thirteen trainees from Finding No. 1, three trainees from Finding No. 2, and three trainees from Finding No. 3. Ms. Meza agreed to bypass the draft review report.</p> <p>The issuance of your final review report has been delayed by the audit unit. Therefore, ETP will waive the accrual of interest resulting from this review for the disallowed costs beginning June 7, 2007, through the issue date of this final review report.</p>
Appeal Rights	If you wish to appeal the review findings, it must be filed in writing with the Panel's Executive Director within 30 days of receipt of this review report. The proper appeal procedure is specified in Title 22, California Code of Regulations, Section 4450 (attached).
Records	Please note the ETP Agreement, Paragraph 5, requires you to assure ETP or its representative has the right, "...to examine, reproduce, monitor and audit accounting source payroll documents, and all other records, books, papers, documents or other evidence directly related to the performance of this Agreement by the Contractor... This right will terminate no sooner than four (4) years from the date of termination of the Agreement or three (3) years from the date of the last payment from ETP to the Contractor, or the date of resolution of appeals, audits, or litigation, whichever is later."

Charles Rufo  
Audit Director

Fieldwork Completion Date: April 10, 2007

*This report is a matter of public record and its distribution is not limited. The report is intended for use in conjunction with the administration of ETP Agreement No. ET03-0275 and should not be used for any other purpose.*

# SCHEDULE 1 – Summary of Review Results

## NTMA TRAINING CENTERS OF SOUTHERN CALIFORNIA

AGREEMENT NO. ET03-0275

FOR THE PERIOD

MARCH 1, 2003 THROUGH FEBRUARY 28, 2005

	<u>Amount</u>	<u>Reference*</u>
Training Costs Paid By ETP	<u>\$ 4,464,505</u>	
Costs Disallowed:		
Minimum Wage Requirement Not Met	29,596	Finding No. 1
Full-Time Employment Requirements Not Met	20,752	Finding No. 2
Ineligible Trainee Occupations	19,152	Finding No. 3
Ineligible Trainees	0	Finding No. 4
Inaccurate Reporting	<u>-</u>	Finding No. 5
Total Costs Disallowed	<u>\$ 69,500</u>	
Training Costs Allowed	<u><u>\$ 4,395,005</u></u>	

\* See Findings and Recommendations Section.

# FINDINGS AND RECOMMENDATIONS

## FINDING NO. 1 – Minimum Wage Requirement Not Met

NTMA Training Centers of Southern California (NTMA) received reimbursement for 11 trainees who did not meet minimum wage requirements. As a result, we disallowed \$29,596 in training costs claimed for these trainees [(one Job No. 1 x \$9,576) + (four Job No. 3 x \$2,002) + (six Job No. 6 x \$2,002)]. Noncompliance of minimum wage requirements was previously disclosed in our audit and review of ETP Agreement Nos. ET00-0210 and ET01-0232, respectively.

Exhibit A, Section VI, Paragraph A1 of the Agreement between NTMA and ETP states, “Wages at the end of the 90-day retention period for Jobs 1-3, 5 and 6 or 120-day retention period for Job 4 shall be equal to or greater than the wages listed in [the Agreement].” The Agreement stated Job No. 1 trainees must meet the minimum wage requirement (\$9.93 in Los Angeles County and \$9.79 in Orange County) without the inclusion of health benefits. However, health benefits may be added to the hourly wages of Job Nos. 3 and 6 trainees to meet minimum required wages (\$11.92 in Los Angeles County and \$11.74 in Orange County).

The table below shows the wage reported by NTMA, required wage rate, wage reported by employer, and employer-paid health benefits. The actual wage rates determined for these trainees do not meet minimum wage requirements.

Trainee No.	Job No.	Required Wage Rate	Reported Wage Rate	Actual Wage Rate Per Employer	Employer-Paid Health Benefits	Actual Hourly Wage Rate	Code
1	1	\$9.93	\$9.97	\$8.00		\$8.00	A
4	6	\$11.92	\$11.89	\$9.00	N/A	\$9.00	A
6	6	\$11.74	\$12.56	\$10.00	Declined Coverage	\$10.00	B
10	3	\$11.92	\$11.13	\$9.50	\$1.12	\$10.62	B
11	6	\$11.74	\$12.13	\$9.00	\$0.95	\$9.95	A
12	6	\$11.74	\$11.93	\$10.00	Declined Coverage	\$10.00	A
13	3	\$11.74	\$11.74	\$9.00	\$1.02	\$10.02	A, B
14	6	\$11.74	\$11.28	\$9.50	\$1.02	\$10.52	A, B
16	6	\$11.92	\$14.00	\$8.50	Declined Coverage	\$8.50	A
17	3	\$11.92	\$11.98	\$10.00	N/A	\$10.00	B
18	3	\$11.92	\$11.93	\$10.25	N/A	\$10.25	A

Legend:  
A - Actual hourly wage rate from Employment Verification Questionnaire response and/or payroll records from participating employer.  
B - Actual hourly wage rate and/or health benefits reported to ETP by LA NTMA.



---

## **FINDINGS AND RECOMMENDATIONS (continued)**

---

Recommendation    NTMA must return unearned fund of \$29,596 to ETP. In the future, NTMA should ensure all trainees meet minimum wage requirements, inclusive of health benefits, if applicable, prior to claiming reimbursement from ETP.

## FINDINGS AND RECOMMENDATIONS (continued)

**FINDING NO. 2 –**  
Full-Time  
Employment  
Requirements Not  
Met

NTMA Training Centers of Southern California (NTMA) received reimbursement for 6 trainees who were not employed full-time during their post-training retention period per Agreement requirements. As a result, we disallowed \$20,752 in training costs claimed for these trainees. Since Trainee No. 18 was previously disallowed in Finding No. 1, no additional costs are incurred regarding this trainee. Noncompliance with full-time employment requirements was previously disclosed in our audit and review of ETP Agreement Nos. ET00-0210 and ET01-0232, respectively.

Exhibit A, Section VI, Paragraph A1 of the Agreement between NTMA and ETP states, "Each trainee in Jobs 1-3, 5 and 6 must be employed full-time, at least 35 hours per week with a single participating employer for a period of at least ninety (90) consecutive days immediately following the completion of training. Job 4 trainees must be employed full-time, at least 35 hours per week, with a participating employer for a period of at least one-hundred twenty (120) consecutive days immediately following the completion of training... The retention period shall be completed no later than the last day of this Agreement".

Six trainees were not employed full-time during their post-training retention period. The schedule below shows the hourly wage rate, retention period, and average hours per week. The hourly wage rate for Trainee Nos. 5, 8, 15, and 17 were provided by NTMA to ETP through on-line invoicing; while the participating employers provided the hourly wage rates for Trainee Nos. 2 and 9.

Trainee No.	Job No.	Hourly Wage Rate	Post-Training Retention Period	Average Hours Per Week
2	1	\$11.00	09/30/03 - 12/30/03	28.4
5	6	\$20.00	02/25/04 - 05/25/04	27.7
8	2	\$11.00	12/21/03 - 03/21/04	0.0
9	5	\$27.25	05/21/04 - 08/21/04	24.0
15	2	\$12.00	01/28/04 - 04/28/04	5.6
17	3	\$10.00	02/10/04 - 05/10/04	13.2

Based on the hourly wage rates identified, Employment Development Department (EDD) base wage information does not support these trainees were employed full-time during the identified retention period or any subsequent 90-day period up to the Agreement end date.

---

## **FINDINGS AND RECOMMENDATIONS (continued)**

---

Recommendation    NTMA must return \$20,752 to ETP. In the future, NTMA should ensure that trainees meet full-time employment requirements during their post-training retention period before claiming reimbursement from ETP.

---

## FINDINGS AND RECOMMENDATIONS (continued)

---

**FINDING NO. 3 –  
Ineligible Trainee  
Occupations**

NTMA Training Centers of Southern California (NTMA) received reimbursement for 2 Job No. 1 trainees who were not employed after training in one of the occupations specified in the Agreement. As a result, we disallowed \$19,152 (two Job No. 1 trainees x \$9,576) in training costs claimed for these trainees.

Exhibit A, Section VI, Paragraph A1 of the Agreement states “Employment for each trainee shall be in the occupations listed in [the Agreement]...” The occupations identified in the Agreement for Job No. 1 trainees were Machine Operator and Machine Tender.

NTMA reported that Trainee No. 3 completed a post-training retention period during October 1, 2004, through December 30, 2004. The trainee’s employer, County of Orange, indicated the trainee was employed as an “Election Worker” who worked on an as needed basis for the California elections in Orange County. Typical job duties for an election worker include looking voters up in the roster, giving instructions on how to correctly mark the ballot, updating the street index as voters vote and handing out official ballots.

NTMA reported that Trainee No. 7 completed a post-training retention period during November 15, 2003, through February 13, 2004. The trainee’s employer, Costco Wholesale Corporation, indicated the trainee was employed as a “Bakery Wrapper” who performed the following duties: weighs, wraps, labels, and merchandises bakery products.

Thus, both trainees were not employed in, nor performed duties (e.g. set-up and operate lathes and mills, blueprint reading, computer numerical control (CNC) programming, and computer-aided program) associated with the training modules in the ETP-funded training.

**Recommendation**

NTMA must return \$19,152 to ETP. In the future, the Contractor should ensure all trainees are employed in the occupations specified in the Agreement before claiming reimbursement from ETP.

---

## FINDINGS AND RECOMMENDATIONS (continued)

---

**FINDING NO. 4 – Ineligible Trainees** Employment information shows 2 trainees were ineligible to receive training. These trainees did not meet employment requirements prior to the start date of training. Since Trainee Nos. 8 and 15 were previously disallowed in Finding No. 2, no additional costs are incurred regarding these trainees.

The Unemployment Insurance Code, Section 10201 (c) and Exhibit A, paragraph 3 of the Agreement between ETP and NTMA requires that trainees be employed full-time by the Contractor or a participating employer for at least 90 days before the trainee begins training. Otherwise, to be eligible a trainee must have been employed at least 20 hours per week for at least 90 days by an eligible employer during the 180-day period preceding the trainee's hire date with the current employer.

NTMA reported that Trainee No. 8 began training on August 9, 2003. However, Employment Development Department (EDD) base wage information shows the trainee had no earnings in 2003 before the trainee began training. NTMA reported that Trainee No. 15 began training on September 23, 2003. However, EDD base wage information shows the trainee had insufficient earnings to support at least 20 hours per week for at least 90 days during the 180-day period preceding the trainee's hire date. As a result, Trainee Nos. 8 and 15 are not eligible for ETP reimbursement.

**Recommendation** In the future, the Contractor should ensure all retrainees meet eligibility requirements before beginning training.

---

## FINDINGS AND RECOMMENDATIONS (continued)

---

**FINDING NO. 5 –** Trainee hourly wage rates reported by NTMA Training Centers of Southern California (NTMA) on invoices submitted to ETP were inaccurate. As a result, the Contractor did not comply with Agreement reporting requirements. Noncompliance with accurate reporting requirements was previously disclosed in our review of ETP Agreement No. ET00-0210.

Inaccurate  
Reporting

Paragraph 2(d) of the Agreement states, “Contractor shall submit invoices and necessary statistical data to ETP in form and manner prescribed by ETP.” Accurate, complete trainee wage rate information is required to verify compliance with Exhibit A, page 4, paragraph VII-A of the Agreement. This section states, “Wages at the end of the 90-day retention period shall be equal to or greater than the wages listed in [the Agreement].”

We documented actual trainee wage rates for 72 trainees. Actual wage rates were identified from employer payroll records or written confirmations provided by employers. Trainee wage rates reported by NTMA varied by more than 5 percent from the actual wage rates for 33 of the 72 trainees (46 percent).

**Recommendation** In the future, NTMA should ensure all trainee data submitted to ETP is accurate and complete. Inaccurate or incomplete data may result in repayment of unearned funds, plus applicable interest, to ETP.

# ATTACHMENT A - Appeal Process

---

## 4450. Appeal Process.

- (a) An interested person may appeal any final adverse decision made on behalf of the Panel where said decision is communicated in writing. Appeals must be submitted in writing to the Executive Director at the Employment Training Panel in Sacramento.
- (b) There are two levels of appeal before the Panel. The first level must be exhausted before proceeding to the second.
  - (1) The first level of appeal is to the Executive Director, and must be submitted within 30 days of receipt of the final adverse decision. This appeal will not be accepted by the Executive Director unless it includes a statement setting forth the issues and facts in dispute. Any documents or other writings that support the appeal should be forwarded with this statement. The Executive Director will issue a written determination within 60 days of receiving said appeal.
  - (2) The second level of appeal is to the Panel, and must be submitted within 10 days of receipt of the Executive Director's determination. This appeal should include a statement setting forth the appellant's argument as to why that determination should be reversed by the Panel, and forwarding any supporting documents or other writings that were not provided at the first level of appeal to the Executive Director. If the Panel accepts the appeal and chooses to conduct a hearing, it may accept sworn witness testimony on the record.
    - (A) The Panel must take one of the following actions within 45 days of receipt of a second-level appeal:
      - (1) Refuse to hear the matter, giving the appellant written reasons for the denial; or
      - (2) Conduct a hearing on a regularly-scheduled meeting date; or
      - (3) Delegate the authority to conduct a hearing to a subcommittee of one or more Panel members, or to an Administrative Law Judge with the Office of Administrative Hearings.
    - (B) The Panel or its designee may take action to adopt any of the administrative adjudication provisions of the Administrative Procedures Act at Government Code Section 11370 *et seq.*, for the purpose of formulating and issuing its decision. Said action may take place at the hearing, or in preliminary proceedings.
    - (C) Upon completion of the hearing, the record will be closed and the Panel will issue a final ruling. The ruling may be based on a recommendation from the hearing designee. The ruling shall be issued in a writing served simultaneously on the appellant and ETP, within 60 days of the record closure.
- (c) The time limits specified above may be adjusted or extended by the Executive Director or the Panel Chairman for good cause, pertinent to the level of appeal.
- (d) Following receipt of the Panel's ruling, the appellant may petition for judicial review in Superior Court pursuant to Code of Civil Procedure Section 1094.5. This petition must be filed within 60 days from receipt of the Panel's ruling.

Authority: Section 10205(m), Unemployment Insurance Code; Section 11410.40, Government Code.

Reference: Sections 10205(k), 10207, Unemployment Insurance Code.

Effective: April 15, 1995

**Amended: December 30, 2006**